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August 18, 2008

AGENDA ITEM 3

TO: MEMBERS OF THE PERFORMANCE AND COMPENSATION COMMITTEE

- I. SUBJECT:** 2008-2009 Performance Plans for the Interim Chief Executive Officer, Chief Actuary, General Counsel, Interim Chief Investment Officer and Her Direct Reporting Staff (Second Reading)
- II. PROGRAM:** Administration
- III. RECOMMENDATION:** Approve the Second Reading of the 2008-2009 Performance Plans for the Interim Chief Executive Officer, Chief Actuary, General Counsel, Interim Chief Investment Officer and Senior Investment Officers
- IV. ANALYSIS:**

The Board of Administration's Compensation Policies and Procedures include a schedule for approving performance plans for the coming fiscal year. In accordance with the schedule, a first reading of the 2008-2009 performance plans for the Interim Chief Executive Officer, Chief Actuary, General Counsel, Interim Chief Investment Officer and Senior Investment Officers was presented to the Performance and Compensation Committee in June. The performance plans are presented for second reading with this agenda item.

Board Reportable Executives

Since the first reading in June, the entire PSR performance measure in the plans of the Interim Chief Executive Officer, Chief Actuary, General Counsel, and Interim Chief Investment Officer has been replaced with updated language that incorporates the addition of the ETM and PERT projects. Other changes are presented in the plans in strike out format.

Senior Investment Officers

One change has been made to each of the Senior Investment Officers' plans to add the specific qualitative leadership performance measure language.

As provided in the Policies and Procedures, the Board's investment consultant has reviewed all quantitative performance measures of the Interim Chief Investment Officer and Senior Investment Officers prior to presentation to the Committee. There have been no substantive changes to the quantitative measures since the first reading in June.

V. STRATEGIC PLAN:

Under Goal II of the Strategic Plan, CalPERS is committed to sustaining a high performance work culture. Under Goal IV, the organization is dedicated to effectively utilizing its resources, including a diverse, creative, motivated, high performance workforce. This can be accomplished at the highest executive levels through the establishment of methods that provide broad flexibility in the recruitment, retention and compensation of key personnel.

VI. RESULTS/COSTS:

The establishment of performance plans is critical to the management of a competitive compensation program for executives at the highest levels of the organization. This, in turn, is critical to the success of the organization. The cost of performance awards that might arise from the recommendations in this item will be funded from existing resources.

Chris O'Brien, Chief
Human Resources Division

Gloria Moore Andrews
Deputy Executive Officer, Operations

Attachments

**2008-2009 Performance Plans for the
Interim Chief Executive Officer, Chief Actuary, General Counsel,
Interim Chief Investment Officer and Senior Investment Officers**

Performance plans for the 2008-2009 Fiscal Year for the Interim Chief Executive Officer, Chief Actuary, General Counsel, Interim Chief Investment Officer and Senior Investment Officers are presented for second reading on the following pages:

<u>Position</u>	<u>Current Incumbent</u>
Interim Chief Executive Officer	Ken Marzion
Chief Actuary	Ron Seeling
General Counsel	Peter Mixon
Interim Chief Investment Officer	Anne Stausboll
Senior Investment Officer, Alternative Investments	Leon Shahinian
Senior Investment Officer, Asset Allocation / Risk Mgmt.	Farouki Majeed
Senior Investment Officer, Fixed Income	Curtis Ishii
Senior Investment Officer, Global Equity	Eric Baggesen
Senior Investment Officer, Real Estate	Theodore Eliopoulos